

OPPOSE: Overturning of the Illinois Rent Control Preemption Act

SHAPE Illinois (Supporting Housing Affordability, Progress and Equality) stands in opposition of any legislative initiatives which would overturn Illinois' Rent Control Preemption Act, which currently prohibits local governments from instituting rent control policies. SHAPE Illinois, plus an overwhelming percentage of economists, believe rent control results in fewer affordable housing options while simultaneously reducing the quality of remaining affordable housing options.

Housing policy experts from across the political spectrum reject the notion that lower-income renters are the major beneficiaries of such policies. Consensus among these individuals remains that rent control policies actually work against affordable housing objectives because they often benefit an unintended demographic, discourage investment in new and existing rental housing, erode property values causing a tax shift, and ultimately lead to an overall shortage of quality, affordable rental housing.

Here's how Nobel Prize-winning economist Paul Krugman of the *New York Times* describes rent control policies:

"The analysis of rent control is among the best understood issues in all of economics...a ceiling on rents reduces the quality and quantity of housing. Almost every freshman level textbook contains a case study on rent control, using its known adverse side effects to illustrate the principles of supply and demand."

When market forces are artificially influenced by rent control policies, investment by real estate owners diminishes, leaving residents with fewer quality options. Adding to these universal concerns, the City of Chicago and State of Illinois present their own set of unique challenges to owners of properties from two-flats to high-rises, because investment in rental housing is discouraged by unstable state and local finances, high property taxes, increased fees, and aggressively litigious tenant advocacy groups.

Instead of rent control, lawmakers should be focused on attracting more multifamily housing to be built, translating to lower prices through increased supply, while delivering needed units to keep pace with soaring demand. A 2017 analysis forecasted demand for 48,000 new Chicagoland apartments by 2030 to keep pace with the anticipated need. Additionally, SHAPE Illinois supports policies that explore public/private partnerships to create housing vouchers which are designed to follow lower-income people, perhaps similar to the newly launched LIVE Denver program. Legislative proposals which incentivize affordable housing investment are also wise. But ultimately, the best solution is to create a greater supply of affordable housing, which can be incentivized by reducing unnecessary regulations, streamlining approval processes, and overcoming exclusionary NIMBY tactics employed in some neighborhoods.

RENT CONTROL PITFALLS

- DIMINISHED SUPPLY OF AFFORDABLE HOUSING
- DECREASED QUALITY OF AFFORDABLE HOUSING
- TAX SHIFT TO HOMEOWNERS DUE TO EROSION OF PROPERTY VALUES
- UNINTENDED, UNQUALIFIED OCCUPANTS

RENT CONTROL ALTERNATIVES

- VOUCHER SYSTEM THAT FOLLOWS LOWER-INCOME RESIDENTS
- STATE LEGISLATION INCENTIVIZING DEVELOPMENT OF AFFORDABLE HOUSING
- INCREASE AFFORDABLE HOUSING SUPPLY WITH LIGHTER-TOUCH REGULATIONS